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FOR IMMEDIATE RELEASE

(Washington, DC) U.S. Representative Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Financial Institutions, stated today that he will continue to stand by new legislation that would protect consumers from unscrupulous payday lending practices, despite stark opposition from the payday lending industry (see attached letter below).

Concentrated in low-income and minority neighborhoods, payday lenders typically offer short-duration loans, waiving the credit history requirement imposed by traditional banks. Unfortunately, those who most need these loans are often the least able to repay them, and the consumer is subjected to interest rates ranging from 261 percent to 913 percent annually. The effects of these often unrestricted and poorly regulated loans are potentially crippling for the average consumer in a declining economy.

Rep Gutierrez' bill outlines significant new federal protections for payday loan consumers by restricting or prohibiting certain predatory payday loan terms and lending practices. The bill focuses on the two major concerns with regard to payday loans: the fees charged and the "cycle of debt" that occurs when consumers are not able to immediately repay their loans.

Attachments: Letters of Opposition for Payday Loan Industry

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February 27, 2009

Statement from D. Lynn DeVault, President, Community Financial Services Association of (CFSA):

While CFSA has a long-standing record of advocating for responsible regulation of the payday advance industry and strong consumer protections for our customers, we cannot support H.B. 1214, introduced by Congressman Luis Gutierrez.

The Payday Loan Reform Act of 2009 contains many consumer protections that we do support, some of which are provisions of CFSA's industry best practices that have been codified into many state laws across the country, such as the repayment plan. This, the full disclosure requirements and other protections in the bill are all fully supported and promoted by our association.

The Payday Loan Reform Act, however, goes too far, most notably in establishing a national fee cap for one small segment of the short-term credit market. We're aware of no other short-term credit product that has a national fee cap, certainly not bank and credit union NSF and overdraft protection fees or credit card late fees. These are the costly products our customers use payday loans to avoid, yet, under this bill their costs would continue to increase, completely unregulated. We cannot support this action against our customers, who will be forced into more expensive and unregulated credit alternatives.

Congressman Gutierrez's H.B. 1214 will significantly reduce the maximum fees that have been set by the legislatures in 24 states, while doing nothing to protect lenders from having their fees cut from the bottom end, even to the point of extinction in any state.

Thirty-four (34) state legislatures have studied payday lending thoroughly and enacted laws that

protect their constituents and preserve their access to small dollar short-term credit. This federal bill would pre-empt much of those state efforts.

Since inception, CFSA has worked constructively with legislators and stakeholders in the states to support successful initiatives to raise industry standards and reform consumer protection statutes. We applaud the efforts of policymakers everywhere who work to achieve these same objectives. But we cannot agree with the specifics of Congressman Gutierrez' legislation.

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